

## **VERMONT STATE TEACHERS' RETIREMENT SYSTEM**

Meeting of the Board of Trustees –In-House Meeting

**October 29<sup>th</sup>, 2014 – 2:00 p.m.**

### **Members present:**

JON HARRIS, Chairperson (Active No. 25669), term expiring July 1, 2015

JOSEPH MACKEY, Vice-Chairperson, VRTA representative, term expiring July 1, 2016 - via telephone

JUSTIN NORRIS, Active Member Representative, term expiring July 1, 2017 - via telephone

VAUGHN ALTEMUS, representing Secretary of Agency of Education

ELIZABETH PEARCE, VT State Treasurer

### **Members absent:**

THOMAS CANDON, representing Commissioner of Department of Financial Regulation

LINDA DELIDUKA, VRTA Alternate representative, term expiring July 1, 2016

Active Member Alternate Representative – vacant

### **Also attending:**

Stephen Wisloski, Deputy Treasurer

Laurie Lanphear, Director of Retirement Operations

Matt Considine, Director of Investments

David Driscoll and Hope Manion, Buck Consultants

David Beatty, Dept. of Finance and Management

Joshua McCormick, assistant to Kathie Kretzer

Katie Green, Investments Manager

Nick Foss, Investments Analyst

The Chairperson, Jon Harris, called the Wednesday, October 29, 2014, meeting to order at 2:00 p.m., which was held in the Treasurer's Conference Room, fourth floor, 109 State Street, Montpelier, VT.

### **ITEM 1: Approve the Minutes of:**

☐ **October 9, 2014**

**On motion by Mr. Altemus, seconded by Ms. Pearce, the Board voted unanimously by roll call to approve the minutes of October 9, 2014, as submitted.**

### **ITEM 2: Review 2014 OPEB Update**

Ms. Manion provided a review of the Report on the *Actuarial Valuation of Post Retirement Benefits of the Vermont State Teachers' Retirement system as of June 30, 2014* for board discussion. There was a discussion about the new EGWP program for prescription benefits for Medicare eligible members. There was a discussion about the Unfunded Actuarial Accrued Liability on page 5 of the report. Ms. Manion stated the trend was good compared to last year. Vermont Teachers' Retirement System Page 2 of 3 Conference call Meeting of the Board of Trustees October, 9 2014

Mr. Considine asked for a breakdown of the 13 million dollars labeled "Impact of recent year Demographic Experience and other refinements". Ms. Manion stated she would look into it. There was a discussion about the comparison of Pre-Funding Basis versus Pay-as-you-go Basis as well as an overview of Retirees versus Active members and age's pre-65 versus post-65. There was a discussion of the breakdown of retiree health plan groups. Ms. Manion also discussed the impacts of the Affordable Care Act and Green Mountain Care and how they could affect OPEB. Ms. Manion answered all the questions posed by the Board members.

### **ITEM 3: Review/Act on FY '14 Actuarial Valuation**

Mr. Driscoll reviewed with the Board members the reasons for having an annual actuarial valuation. Mr. Driscoll presented the results of the actuarial valuation for the fiscal year ending June 30, 2014. The number of teachers is down from the last report (fiscal year ending 6/30/13), 10,101 to 9,952. Retired members went up from 7,743, to 8,086. Average pay is up 2% from last year. The Adjusted Assets for Valuation went up from \$1.552 Billion, to \$1.610 Billion. The normal contribution rate went down from 1.89%, to 1.70%. The unfunded liability went up from \$1.013 Billion, to \$1.076 Billion.

Mr. Driscoll stated that the assumptions used in this report are unchanged from prior valuations. Mr. Driscoll is recommending an experience study be done to see if assumption in the valuation report are accurate, specifically the mortality assumption. There was a discussion about the breakdown of retirement member categories. There was a discussion about the gain and loss analysis. There was a discussion of the breakdown of the final reporting of GASB 25, which will be super ceded by GASB 67. There was a discussion of the breakdown of assets and liabilities of the system, as well as a discussion of the unfunded liabilities. Mr. Driscoll then went over with the board the projection of contributions for FY '16 and FY '17.

**On motion by Ms. Pearce, seconded by Mr. Altemus the board unanimously voted by roll call to approve and forward to the Governor, and to the chairs of the House and Senate committees on government operations and appropriations; the contribution recommendation of \$76,102,909 for FY '16 based on the FY' 14 Actuarial Valuation report as provided by the state independent actuary, Buck Consultants.**

### **ITEM 4: GASB 67**

Mr. Driscoll explained the purpose of the new GASB 67, and that it was replacing GASB 25. Mr. Driscoll stated that one new requirement of GASB 67 is that the Market Value Assets will be the basis of reporting rather than smooth value assets. Mr. Driscoll also stated GASB 67 does not allow sponsors to use whatever funding method they want for funding purposes and that GASB 67 requires the use of Entry Age Level percent of pay funding method for calculations of liabilities. There was discussion of the Administrative expenses and a discussion of the Net Pension Liability. Vermont Teachers' Retirement System Page 3 of 3 Conference call Meeting of the Board of Trustees October, 9 2014

**ITEM 5: Review/Accept 2015 meeting schedule**

Mr. Harris indicated to the Board members the 2015 meeting schedule was contained in the board packets for their information. There was no objection by any of the Board members present.

**ITEM 6: Any other business to be brought before the board**  
none

**ITEM 7: Adjournment**

**On motion by Ms. Pearce, seconded by Mr. Altemus, the Board unanimously voted by roll call to adjourn at 4:01 p.m.**

**Next Meeting Date:**

The next scheduled VSTRS meeting is an In-house meeting on Tuesday, November 18th, 2014 at 9:00 a.m.

Respectfully submitted,  
Kathie Kretzer  
Secretary to the Board